

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 AGRE-00 OES-07 /096 W
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R 150151Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6653
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMCONSUL MONTREAL
AMCONSUL TORONTO
AMCONSUL HALIFAX
AMCONSUL VANCOUVER
AMCONSUL QUEBEC

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USEEC

C O R R E C T E D C O P Y DUE TO OMISSION OF TWO LINES IN
PARA 3, AFTER LINE EIGHT

E.O. 11652: N/A
TAGS: ECON, EFIN, CA
SUBJECT: JENKINS VISIT TO CANADA MARCH 7-10

1. SUMMARY. EC COMMISSION PRESIDENT ROY JENKINS VISITED
CANADA MARCH 7-10 TO PROMOTE CLOSER EC-CANADIAN TIES
UNDER 1976 FRAMEWORK AGREEMENT. VISIT TURNED OUT TO
BE SUCCESSFUL GOOD WILL MISSION BUT WITH NO SPECIFIC
INITIATIVES LAUNCHED TO PROMOTE GREATER TRADE, JOINT-
INVESTMENT PROJECTS, OR TECHNICAL COOPERATION AS FORESEEN
IN AGREEMENT. JENKINS' INTEREST IN VISITING QUEBEC
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AND MEETING WITH QUEBEC PREMIER LEVESQUE WAS THWARTED.
JENKINS PROMOTED POSSIBILITY OF DEVELOPING EURO-CURRENCY
TO SUPPLEMENT RESERVE CURRENCY ROLE OF U.S. DOLLAR
BUT CANADIANS WERE NON-COMMITTAL. BID BY PANAIA FOR
CANADIAN FIGHTER AIRCRAFT CONTRACT WAS RAISED BY
JENKINS IN PRIVATE TALK WITH PRIME MINISTER TRUDEAU,
BUT APPARENTLY DID NOT GO BEYOND EXPRESSION OF INTEREST

BY BOTH SIDES. OTHER EC-CANADIAN BILATERAL ISSUES WERE MENTIONED, BUT NOT NEGOTIATED OR RESOLVED. IN SIDE MEETING, ONTARIO PREMIER DAVIS STRESSED ONTARIO'S INTEREST IN ATTRACTING INVESTMENT BY EUROPEAN AUTOMOBILE MANUFACTURERS. TONE OF FORMAL REMARKS, POSITIVE COMMENTS BY GOC OFFICIALS AND FOLLOW-UP TRADE STUDY SUGGEST EFFORT BY BOTH SIDES TO ATTEMPT TO GIVE NEW LIFE TO WHAT HAS SO FAR BEEN ONLY SYMBOLIC AGREEMENT. END SUMMARY.

2. EC COMMISSION PRESIDENT ROY JENKINS VISITED VANCOUVER, OTTAWA, AND HALIFAX MARCH 7-10. JENKINS SPOKE TO VANCOUVER BOARD OF TRADE MARCH 7 AND PRESIDED IN OTTAWA MARCH 8 OVER SECOND MEETING OF CANADA-EC JOINT COOPERATION COMMITTEE SET UP UNDER THE OCTOBER 1976 FRAMEWORK AGREEMENT FOR COMMERCIAL AND ECONOMIC COOPERATION BETWEEN THE EC AND CANADA. IN OTTAWA HE ALSO HAD BREAKFAST MEETING WITH A NUMBER OF MINISTERS (INCLUDING FINANCE; INDUSTRY, TRADE, AND COMMERCE; AGRICULTURE; AND FISHERIES), MET WITH SENATE COMMITTEE ON DEFENSE AND EXTERNAL AFFAIRS, AND HAD PRIVATE MEETING WITH PRIME MINISTER TRUDEAU. SOURCES DESCRIBED TALKS AT ALL THESE MEETINGS AS BEING VERY GENERAL IN CHARACTER. NO NEW AREAS OF COOPERATION OR INITIATIVES WERE UNDERTAKEN.

3. FRAMEWORK AGREEMENT HAS YET TO TAKE ON ANY LIFE LIMITED OFFICIAL USE

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OR SUBSTANCE. IT WAS CONCLUDED AT A TIME WHEN CANADA'S "THIRD OPTION" OF CLOSER TIES WITH EUROPE AND JAPAN WAS ALREADY BEGINNING TO APPEAR HOLLOW AND ANY PROGRESS TOWARD CLOSER EC TIES WAS FURTHER INHIBITED OVER PAST TWO YEARS BY RECESSION AND SLOW RECOVERY. APPROACH IN AGREEMENT IS ESSENTIALLY BUREAUCRATIC - TO INCREASE CONTACTS THROUGH MISSIONS, COMMITTEES AND STUDIES TO PROMOTE TRADE, JOINT INDUSTRIAL VENTURES AND TECHNOLOGY EXCHANGES. NOTHING HAS YET EMERGED. ONLY MAJOR JOINT PROJECT SO FAR HAS BEEN IRON ORE PELLETIZATION PLANT AT FIRE LAKE, QUEBEC, IN WHICH BRITISH STEEL AND EUROPEAN COAL AND STEEL COMMUNITY HAVE INVESTED FUNDS, BUT PROJECT WAS INITIATED PRIOR TO THE FRAMEWORK AGREEMENT. CANADA'S SHARE OF EC IMPORTS OF MANUFACTURED GOODS HAVE CONTINUED TO DROP SINCE THE UK'S ENTRY INTO THE EC. CANADA'S EXPORTS TO THE EC IN 1977 ROSE ONLY 5.4 PERCENT IN VALUE DESPITE DEVALUATION OF THE CANADIAN DOLLAR, WHILE CANADIAN EXPORTS TO THE U.S. ROSE 18 PERCENT AND CANADIAN IMPORTS FROM THE EC ROSE 11 PERCENT.

4. THE JOINT COMMITTEE'S COMMUNIQUE SAID THE COMMITTEE "REVIEWED" COOPERATION IN AREAS INCLUDING FOREST

PRODUCTS (TIMBER FRAME CONSTRUCTION AND PULP AND PAPER);
TELECOMMUNICATIONS (PERI-INFORMATICS); AEROSPACE; NUCLEAR;
COAL; IRON ORE AND STEEL; NON-FERROUS METALS INDUSTRIES;
AND THE GENERAL FIELD OF MINERALS AND METALS. IT
ALSO REFERRED TO AN ONGOING STUDY OF TRADE FLOWS BETWEEN
CANADA AND THE COMMUNITY AND SAID COMMITTEE REVIEWED
"THE STATE OF COOPERATION" IN FIELDS OF ENVIRONMENT AND
SCIENCE AND TECHNOLOGY.

5. THE ISSUE OF QUEBEC SEPARATISM MANAGED TO WORK ITS
WAY INDIRECTLY INTO THE VISIT. ACCORDING TO BRITISH
HIGH COMMISSION SOURCE, JENKINS HAD EXPRESSED INTEREST
TO GOC IN VISITING "A FRANCOPHONE AREA" OF CANADA
DURING HIS VISIT. CANADIAN OFFICIALS INSTEAD ARRANGED
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FOR JENKINS TO MEET IN OTTAWA WITH BOTH PREMIER LEVESQUE
AND ONTARIO PREMIER DAVIS. HOWEVER, AT LAST MINUTE
LEVESQUE SENT WORD THAT HE WAS UNABLE TO ATTEND. IN

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HIS SPEECH EARLIER IN VANCOUVER, JENKINS HAD MADE A PITCH FOR EUROPEAN ECONOMIC AND MONETARY UNION IN THE COURSE OF DESCRIBING THE EC IN HIS AUDIENCE. IT WHAT MAY NOT HAVE BEEN ANY INTENTIONAL REFERENCE TO QUEBEC, HE NOTED THAT CANADIANS FIND IT "THE MOST NATURAL THING IN THE WORLD" TO SELL GOODS THROUGHOUT CANADA IN THE SAME CURRENCY AND ACCEPT A DEGREE OF CENTRAL ECONOMIC AND MONETARY DIRECTION. THE PQ IN QUEBEC, OF COURSE, WOULD LIKE TO MOVE IN QUITE THE OPPOSITE DIRECTION.

6. WHILE LEVESQUE STAYED AWAY, ONTARIO PREMIER DAVIS MET WITH JENKINS. ACCORDING TO EC OFFICIAL BURGHARDT WHO ACCOMPANIED JENKINS FROM BRUSSELS, DAVIS STRESSED PROVINCE'S INTEREST IN ATTRACTING INVESTMENT, PARTICULARLY IN AUTO SECTOR. DAVIS POINTED TO CANADA'S CONCERN ABOUT IMBALANCED ASSEMBLED AUTO AND PARTS TRADE WITH LIMITED OFFICIAL USE

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U.S. AND INDICATED ONTARIO WOULD WELCOME NEW INVESTMENT WITH EXPORT POTENTIAL.

7. EC OFFICIALS ALSO NOTED JENKINS HAD, SEVERAL TIMES, STRESSED IMPORTANCE COMMISSION ATTACHES TO DEVELOPING A EUROPEAN CURRENCY THAT WOULD NOT REPLACE NATIONAL CURRENCIES BUT WOULD BE A VEHICLE FOR INTERNATIONAL SETTLEMENTS AND WOULD SUPPLEMENT DOLLAR AS A RESERVE CURRENCY. CANADIAN REACTION WAS NON-COMMITTAL.

8. JENKINS HAD A PRIVATE MEETING WITH PRIME MINISTER TRUDEAU DURING WHICH JENKINS RAISED THE SUBJECT OF EC INTEREST IN SELLING THE PANAVIA FIGHTER AIRCRAFT TO CANADA WHICH WOULD FIT IN WELL WITH THE IDEA OF GREATER TRADE AND TECHNOLOGY EXCHANGE UNDER THE FRAMEWORK AGREEMENT. TRUDEAU REPORTEDLY EXPRESSED INTEREST, BUT MADE NO PROMISE TO FAVOR PANAVIA IN CURRENT NEGOTIATIONS FOR THE CONTRACT.

9. COMMENT: PUBLIC TONE OF SECOND MEETING OF JOINT COOPERATION COMMITTEE CONTRASTS MARKEDLY WITH FIRST. FOLLOWING FIRST SESSION IN DECEMBER 1976, CANADIAN EXTERNAL AFFAIRS MINISTER JAMIESON CRITICIZED EC "FOOTDRAGGING" AND INSISTED UPON "TANGIBLE AND REASONABLE RESULTS" FROM COOPERATION AGREEMENT. IN HIS OPENING STATEMENT TO SECOND SESSION, JAMIESON REFERRED TO CANADIAN-EUROPEAN "HISTORIC BONDS" AND "SHARED EXPERIENCE" AS BASIS FOR AFFINITY THAT TRANSCENDS ECONOMIC TIES. GOC OFFICIALS SINCE VISIT HAVE TAKEN LINE WITH EMBOFFS THAT POSITIVE ATMOSPHERE RESULTING FROM FRAMEWORK

AGREEMENT ENCOURAGES TRADE AND INVESTMENT IN INTANGIBLE
WAYS. THEY ALSO CLEARLY HOPE THAT A FAVORABLY IMPRESSED
JENKINS WILL PRODUCE TANGIBLE RESULTS UPON RETURN TO
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BRUSSELS. EC-CANADA TRADE STUDY AND JOINT STATEMENT
ON COMMERCIAL COOPERATION TO BE MADE PUBLIC SOON (IT
WAS NOT READY IN TIME FOR RELEASE DURING VISIT) IS
FURTHER EFFORT TO MAKE COOPERATION AGREEMENT EFFECTIVE.
FACED WITH MEDIOCRE ECONOMIC PERFORMANCE AND A PROBABLE
ELECTION THIS SPRING, GOC CLEARLY IS NOT ABOUT TO
FORECLOSE ITS THIRD OPTION. ENDERS

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Disposition Approved on Date:
Disposition Case Number: n/a
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